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Starbucks' International Expansion

What's your Starbucks?



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How is Starbucks perceived in your country?



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Case Study Approach

- Case study (symptoms) – outlines challenges that Starbucks are having regarding their international presence; international competitors; protection of IP etc.
- Consider (diagnosis) – types of competition (direct, Indirect etc); competitive environment; disruptive technologies, new business models; value propositions; marketing myopia; role of brand.
- Recommendations (Treatment) – seek legal protection, increase prices, develop new products, enter new markets etc.

Written in 2015, Reflecting on Starbucks 'success' in Italy.

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What types of challenge do organisations operating in multiple nations face?



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Challenges of multinational operations

Home Country Macro Environment

Political, Economic, Social, Technological, Legislative

Home Country Micro Environment

Competition, Consumers, Suppliers

Home Country Internal Environment

Corp. culture, structure, products/services

International Relations

Economic, political and social relations, history

Formal and Informal trade barriers

Embargoes, single market

Host Country(ies) Macro Environment

Economic Development, Cultural, Legal

Host Country(ies) Micro Environment

(Inter)national Competition, consumers, suppliers

Host Country Internal environment

Structure, systems, control, culture, products & services

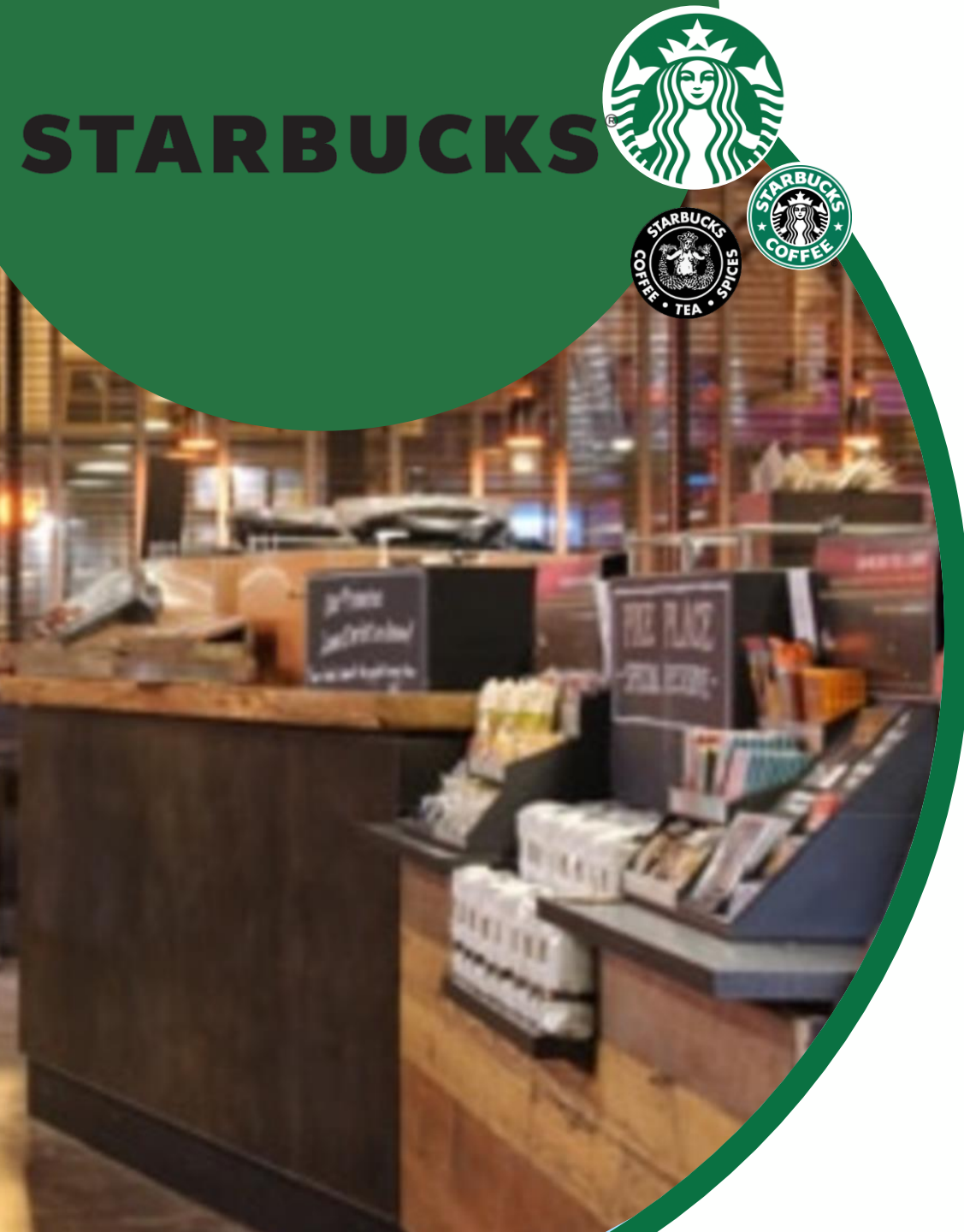


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What factors are likely to factor in the decision making about a particular country/market?



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Assessing international markets

Psychic Distance

Similarities and differences

Competition

Is demand being served?

Accessibility?

Barriers to entry

Potential for growth

Existing & potential market

Demand

Is there an existing market?

Can we compete?

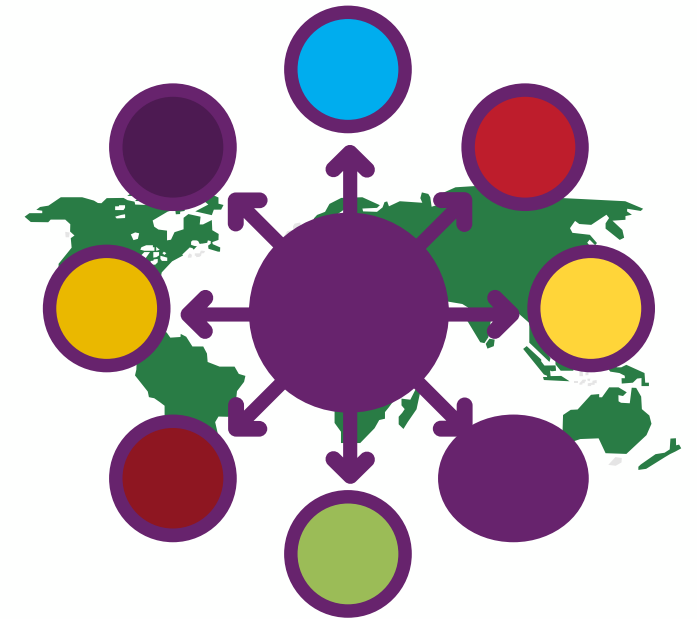
Product and service fit?

Profitability

Affordability and margins.

Expansion objective

Why are we considering the market?



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Market similarities and differences



Cultural Distance

Highlights discrepancies between home and host market language, ethnicity, religion, and social norms



Administrative Distance

May manifest in political hostility or differences in government policies, a lack of shared monetary, legislative



Geographic Distance

Physical remoteness, no common border, lack of transportation opportunities (roads, ports, coast), poor infrastructure (communications), country size



Economic Distance

Discrepancy with income levels. Cost and quality of natural resources, financial resources, Human Resources, information

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What challenges/opportunities does Italy present for Starbucks?



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What is the rationale behind the move?



Natural
Resource
Seeking



Efficiency
Seeking



Market
Seeking



Innovation
Seeking

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Is there a market?



Existing Markets

- Already covered by existing products/suppliers.
- High Competition/High Demand/Saturated – Difficult to Enter
- New Product/Concept



Latent Markets

- Evidence of potential demand but no product offering yet.
- Low Competition; Potential Demand; Easier Market Entry
- Convey Benefits



Incipient markets

- No current demand exists, trends suggest future latent demand.
- No Market/No Competition
- High Cost of Entry

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Market Attractiveness



Can we serve the market effectively & efficiently?
What might be stopping us?

Can they afford us?
Can we make adequate profit?
ROI & payback timescale

How big is the market?
Is there latent demand?
What is the potential for emerging demand?

Competitive Products
Improved Products
Breakthrough Products

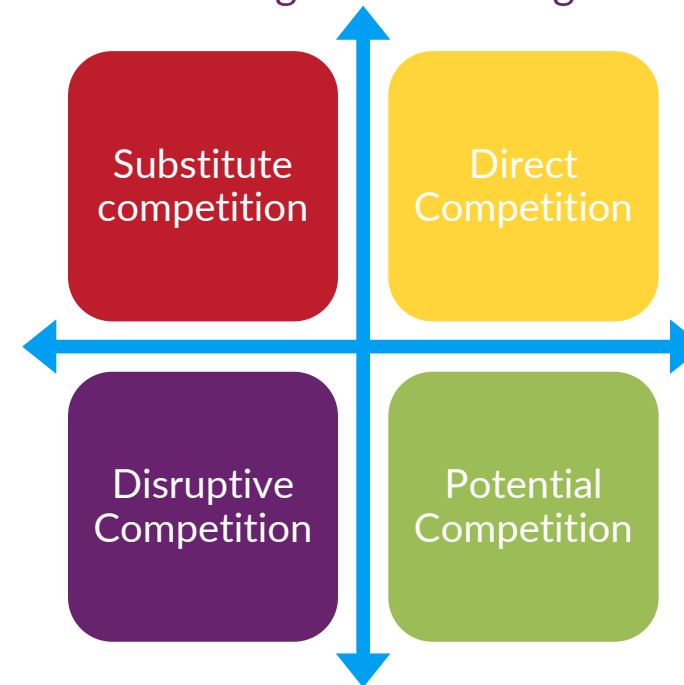
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Is there competition?

Competitors that seek to meet the same consumer needs with a different product offering

Competitors that seek to meet the same consumer needs with a similar product offering



Competitors that seek to meet the different consumer needs with a different product offering

Competitors that seek to meet the different consumer needs with a similar product offering

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Can we compete?



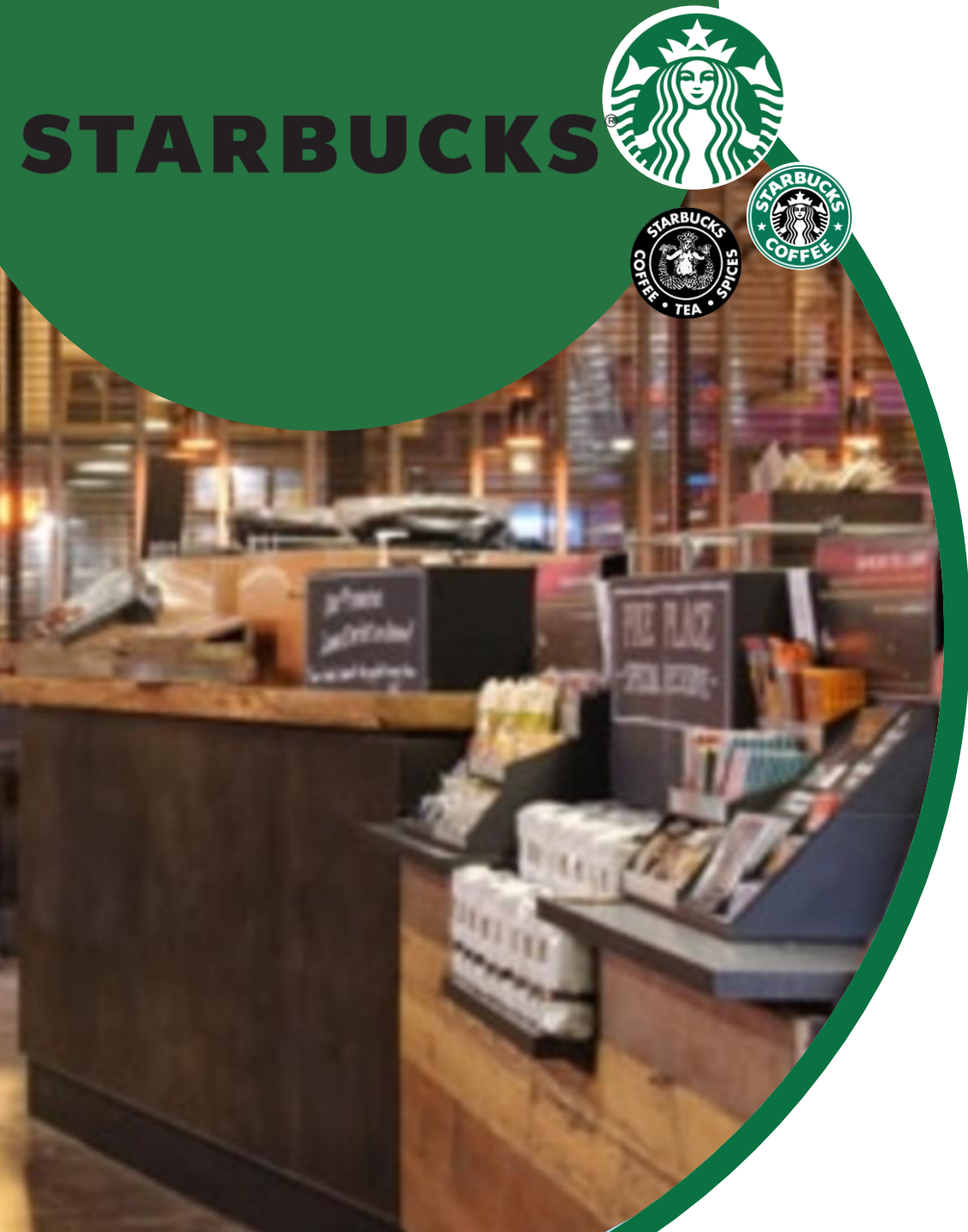
	Existing Market	Latent Market	Incipient Market
Competitive Product	Me too! Little advantage	Classic market gap	Possible Long-term advantage
Distinctive Product	Ease of market entry	No Direct competition	Market Development Needed
Truly Innovative Product	High Competitive Advantage	First Mover Advantage	Markets need to be identified

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How would you advise Starbucks to enter the Italian market?



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How to compete?

Standardisation

Economies of Scale in production/promotion

Economies in Product R&D

Economies in Marketing

Shrinking of the world marketplace

Global Competition

Visual images

International Celebrities

Music (jingles)

Well known symbols (places etc)

Customisation

Differing use conditions

Government and regulatory influences

Differing consumer behaviour patterns

Local competition

True to the Marketing concept

Language

Humour

Personalities (local)

Follow up advertising

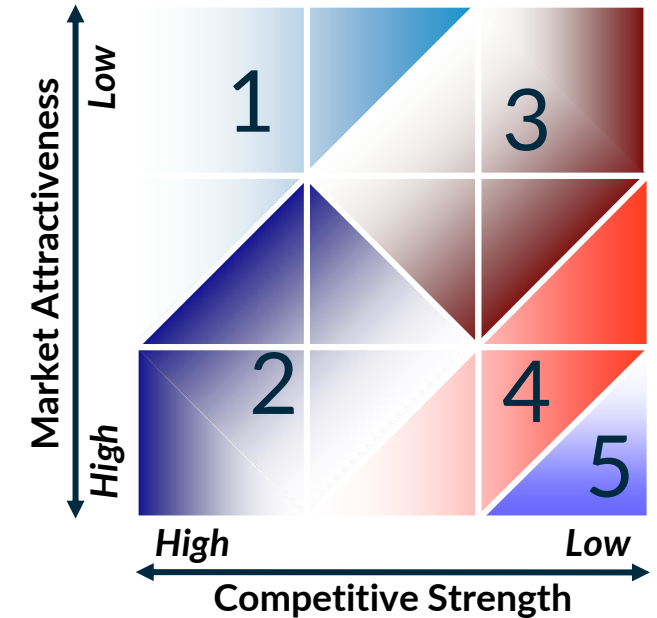
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(How) Should Starbucks' invest in Italy

Market Attractiveness

- Market Size
- Market Growth Rate
- Strength of Competition
- Profit Potential
- Social, Political & Legal Factors



Adapted from McKinsey

Investment Options

1. *Protect*
2. *Invest to grow*
3. *Divest*
4. *Limited Expansion/Harvest*
5. *Build Selectively*

Competitive Strengths

- Market Share
- Differential Advantage
- Cost Advantages
- Reputation
- Distribution capabilities

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Market Entry Modes

Indirect Market Entry

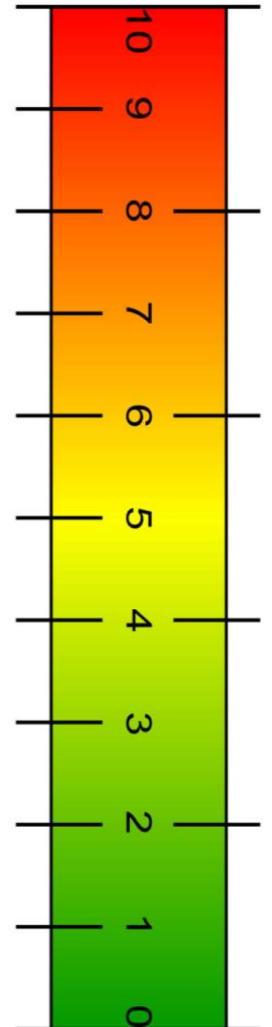
- Marketing orientation
- Direct Export, Indirect Export, Co-operative Export

Partially Direct Market Entry

- Contracted (franchise, management contract, licensing, contract manufacture)
- Shared Ownership (joint venture, partnership, strategic alliance)

Direct Market Entry

- Consists of full ownership
- Either by acquisition or green field development
- Horizontal or vertical FDI
- Upstream or downstream (subsidiaries, representatives, assembly)



Control; Risk; Flexibility; Cost

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Some useful videos on Starbucks international expansion here:

https://youtu.be/_FGUkxn5kZQ?feature=shared – Why Starbucks failed in Australia

<https://youtu.be/jf0ZtZ8CVkk?feature=shared> - Insides Starbucks in Italy

<https://youtu.be/f9zTwJB47OY?feature=shared> – How Starbucks beat the odds in Italy